

December 12, 2006

Los Angeles County Board of Supervisors

> Gloria Molina First District

The Honorable Board of Supervisors County of Los Angeles 383 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, California 90012

Yvonne B. Burke Second District Zev Yarosłavsky

Third District

Don Knabe
Fourth District

Dear Supervisors:

Michael D. Antonovich

AMENDMENT NUMBER SEVEN TO COUNTY AGREEMENT NUMBER
72190 WITH QUADRAMED CORPORATION AND QUADRAMED
AFFINITY CORPORATION FOR TURNKEY HEALTHCARE
INFORMATION SYSTEMS (HIS) (All Districts) (3 Votes)

Bruce A. Chernof, MD Director and Chief Medicai Officer

John R. Cochran III Chief Deputy Director

IT IS RECOMMENDED THAT YOUR BOARD:

William Loos, MD Acting Senior Medical Officer

313 N. Figueroa Street, Suite 912

Tel: (213) 240-8101 Fax: (213) 481-0503

To improve health through leadership.

service and education

Approve and instruct the Director and Chief Medical Officer of Health Services, or his designee, to sign, following the signatures by authorized representatives of QuadraMed Corporation (QMDC) and QuadraMed Affinity Corporation (Compucare), Amendment Number Seven, substantially similar to Exhibit I, to Agreement Number 72190 for a Healthcare Information System (HIS) for each of Harbor-UCLA Medical Center (HUMC), Olive View-UCLA Medical Center (OVUMC), and Los Angeles County + University of Southern California Medical Center (LAC+USCMC), effective upon Board approval through December 31, 2009, to increase Standard Pool Dollars for County-requested professional services and goods; to increase Communications Network rates: to increase Communications Network Pool Dollars for County-requested Communications Network goods and services; to increase rates for maintenance services and for professional services; to add a limitation on QMDC and Compucare's liability for the performance of County-requested professional services consisting of editing patient records in the HIS live database production environment; to add new Phases X and XI for new Application Software modules; to increase the Contract Sum by \$31,606,684 to a total of \$104,534,483; and to make various other changes to the agreement.

PURPOSE OF RECOMMENDED ACTION:

In approving this recommended action, the Board is authorizing the Director of Health Services, or his designee, to sign this Amendment Number Seven to:

1. extend the term of the agreement through December 31, 2009;



- increase Standard Pool Dollars for County-requested professional services and goods which
 includes, without limitation, professional services for HIS-related work needed for the
 implementation of the MetroCare plan which will combine the operations of Martin Luther
 King Jr./Drew Medical Center and HUMC;
- add a new Phase X for a new Inpatient Pharmacy Application Software module for HUMC and OVUMC only, that was procured by Purchase Orders issued by Internal Services Department and were in the amount of \$963,156;
- add a new Phase XI for new Application Software modules (Quantim Facility Coding, Quantim Abstracting, Quantim Inpatient Compliance and Quantim Outpatient Compliance Application Software modules, these four modules also known as Other Quantim Modules);
- 5. increase Communications Network rates through December 31, 2009;
- increase Communications Network Pool Dollars for County-requested Communications Network goods and services;
- 7. increase rates for maintenance services and for professional services through December 31, 2009;
- add a limitation on QMDC and Compucare's liability for the performance of County-requested professional services consisting of editing patient records in the HIS live database production environment;
- increase the Contract Sum by \$31,606,684 to a total of \$104,534,483; and
- 10. make various other changes to the agreement.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

Board approval of this amendment is recommended for:

- the assurance of an uninterrupted, continuous HIS at HUMC, OVUMC and LAC+USC MC, and the continuation of modifications, upgrades, and maintenance for each HIS. The HIS is the primary information system used throughout DHS that is utilized daily by both clinical and non-clinical staff:
- the amount of \$14.0 million for on-going maintenance;
- the amount of \$10.9 million for professional services, of which DHS estimates \$2.5 million for professional services for HIS-related work for the Implementation of the MetroCare plan;
- the amount of \$5.4 million for Communications Network goods and services, of which DHS
 estimates \$0.3 million to be for Communications Network goods and services for the
 implementation of the MetroCare plan; and
- the amount of \$1,3 million for one-time costs for Other Quantim Modules and related installation fees.

During the extended term of the agreement under this amendment, County and QMDC and Compucare intend to negotiate a new agreement to consolidate this agreement with County Agreement Number 56649, which applies to Rancho Los Amigos National Rehabilitation Center, High Desert Health System and Martin Luther King Jr./Drew Medical Center.

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IMPLEMENTATION OF STRATEGIC PLAN GOALS

This request is consistent with Goal 3: Organization Effectiveness of the Los Angeles County Strategic Plan and DHS' Five Year Implementation Plan Objective Number 6, "Increase IS and Telecommunication Efficiencies".

FISCAL IMPACT/FINANCING:

The fiscal impact related to this action is \$31,606,684. Of this amount, \$2.8 million has been allocated in this amendment for the HIS-related MetroCare plan, in addition to the \$2.9 million (total \$5.7 million) of funding for the HIS-related MetroCare plan identified in County Agreement 56649. Funding for this amendment is included in the FY 2006-07 Final Budget and will be requested by the Department in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On August 23, 1989, the Purchasing Agent approved County Agreement Number A51549 with Compucare for the acquisition and maintenance of a turnkey HIS, including, but not limited to, clinical modules and hardware, for each of HUMC and OVUMC. This agreement was modified on 20 occasions by amendments. Amendment Number 19, approved by the Board on June 15, 1999, added QMDC as a contractor under the agreement to be held jointly and severally liable and responsible for any and all of the obligations, responsibilities and liabilities of Compucare under that agreement.

On May 7, 1992, the Purchasing Agent approved County Agreement Number A53813 with Compucare for the acquisition and maintenance of a turnkey HIS, including, but not limited to, clinical modules and hardware, for LAC+USCMC. This agreement was modified on 11 occasions by amendments. Amendment Number 11, approved by the Board on June 15, 1999, added QMDC as a contractor under the agreement to be held jointly and severally liable and responsible for any and all of the obligations, responsibilities and liabilities of Compucare under that agreement.

On June 29, 1999, the Board approved successor County Agreement Number 72190 with Compucare and QMDC for the turnkey HIS consolidating the two existing agreements into a single agreement which includes HUMC, OVUMC and LAC+USCMC. This action is consistent with the Board's direction to consolidate and reduce the number of agreements with a single vendor, when possible. This agreement has provided new and enhanced Compucare Affinity and Quantim clinical software modules, hardware and software upgrades, communications network hardware, software and services, and other professional services, and continued maintenance on the hardware and software to support ongoing operations of the existing HIS at HUMC, OVUMC, and LAC+USCMC.

On December 4, 2001, the Board approved Amendment Number One to continue the Communications Network work to support the ongoing operations of HIS currently in use at HUMC, OVUMC, and LAC+USCMC, provide functional requirements for two Application Software modules, to change certain Third Party Software, to change certain acceptance testing, and to transfer funds among certain pools of funds for professional services and goods. The amendment also corrected an oversight in the termination date of the Sigma Pool Dollars used for Sigma Software maintenance services to be consistent with the termination date (June 30, 2001) of the subcontract with EXM Inc., which provided such services under a subcontract with Compucare and QMDC.

On March 26, 2003, the Board approved Amendment Number Two to add standard County contract language regarding Health Insurance Portability and Accountability Act of 1996 (HIPAA).

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On December 9, 2003, the Board approved Amendment Number Three to extend the term of the agreement through December 31, 2005; to upgrade certain System Hardware and System Software; to extend existing Communications Network rates through December 31, 2005; to approve a new subcontractor related to certain System Hardware and System Software; to add a \$50 million limitation on Contractor's liability to County and exclusions for certain damages; to increase pool dollars for HUMC and LAC+USCMC for professional services and goods; to continue implementation of certain Application Software modules; and to increase rates for maintenance services and professional services.

On April 20, 2005, the Board approved Amendment Number Four to revise standard County contract language regarding HIPAA.

On December 6, 2005, the Board approved Amendment Number Five to acquire additional Application Software modules (Clinician Access, PreciseID, MPISpy, SmartMerge and SmartID), additional Operating Software and System Hardware and related installation and maintenance services for HUMC, OVUMC, and LAC+USCMC.

On July 18, 2006, the Board approved Amendment Number Six to acquire additional System Hardware and System Software for all three hospitals; increase Standard Pool Dollars for County-requested professional services (including Master Patient Index cleanup services) and goods; added a new Phase VIII for new Quantim Report Writer, Quantim Chart Completion, Quantim Chart Locator, Quantim Correspondence Management/ROI, and Quantim eSignature Application Software modules, and a new Phase IX for new Quantim Electronic Document Management (EDM) Revenue Management and Quantim EDM Health Information Management (HIM) Application Software modules; and added a new pricing method for County-requested other professional services on a fixed price basis using Standard Pool Dollars which is in addition to the existing time and materials pricing method based upon QMDC's hourly labor rates

The proposed amendment extends the term of the agreement through December 31, 2009; increases Standard Pool Dollars for County-requested professional services and goods, which includes, without limitation, professional services for HIS-related work needed for the implementation of the MetroCare plan; increases labor rates for County-requested professional services; increases Communications Network rates; increases Communications Network Pool Dollars for County-requested Communications Network goods and services; increases maintenance rates; adds a new Phase X for Inpatient Pharmacy Application Software module for HUMC and OVUMC only, that was purchased by Purchase Orders issued by Internal Services Department; adds a new Phase XI for new Quantim Facility Coding, Quantim Abstracting, Quantim Inpatient Compliance and Quantim Outpatient Compliance Application Software modules; increases the Contract Sum by \$31,606,684 to a total of \$104,534,483; and makes various other changes to the agreement.

This amendment also contains provisions whereby QMDC's liability is limited for its performance of editing in live services. At DHS' request, QMDC will perform professional services consisting of the editing of patient records (e.g., remapping of financial codes and definitions) directly in the HIS live database production environment, in order to update patient data, or correct errors in patient information, entered by DHS staff. QMDC will not be liable for any adverse consequences resulting from such services, so long as the services are performed in accordance with industry standards and in the absence of negligence. This work will occur only rarely, under a narrow set of circumstances. Each DHS request for these editing in live services must be approved in writing by DHS' Director following a consideration by DHS and QMDC of possible adverse consequences that may result from the particular requested editing in live services. There is a risk with this activity which could result in a corrupted database. DHS will mitigate the risk to the HIS and other systems, by ensuring that best practices are followed, such as making an appropriate backup of the live database prior to the performance of this work and by requiring, where possible, that the work be performed first in a test environment, prior to performance of the work in

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the live database. These liability limitation provisions were required by QMDC as a condition for its performance of this work and for the extension of this agreement. QMDC and Compucare have successfully provided DHS with a turnkey HIS since 1989. DHS is aware of the liability limitation and is willing to accept the risk, since these professional services will ensure uninterrupted continuous service by the HIS for DHS' patients and clinical staff.

The County's Chief Information Officer concurs with the Department's recommendation.

Sidley Austin LLP (outside counsel) has reviewed the attached amendment (Exhibit I) and recommends Board approval. The amendment has also been reviewed and approved as to form by County Counsel.

Attachment A provides additional information.

CONTRACTING PROCESS:

QMDC is aware of the new Board-approved standard contract language regarding assignment and delegation but is unwilling to agree to that language and wants to keep the current assignment and delegation language in the existing Agreement.

DHS did not advertise this proposed Amendment Number Seven on the Office of Small Business Countywide Web Site as a contracting opportunity, because it is for the continued provision of technical services for which the current contractor is uniquely qualified to perform. To select a new contractor at this time would be extremely costly to the County.

The County has guidelines for the timely submission of contracts for Board approval. However, the Department was unable to submit the recommended amendment three weeks prior to the desired effective date because of lengthy negotiations with the vendor to clarify contract provisions.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The Board's approval of the recommended amendment will continue the ongoing operations of the HIS currently in use at each of HUMC, OVUMC, and LAC+USCMC.

Reviewed by:

Jon W./ Fullinwider

Chief Information Officer

(See Attached Analysis)

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted.

Bruce A. Chernof, M.D. Director and Chief Medical Officer

72190 Brd Ltr v12 1V28/06

Attachments

c: Chief Administrative Officer
Chief Information Office, Los Angeles County
County Counsel
Executive Officer, Board of Supervisors
Director of Internal Services

SUMMARY OF AMENDMENT

1 TYPE OF SERVICE:

Under the agreement amendment, QuadraMed Corporation and QuadraMed Affinity Corporation will continue to provide a turnkey Healthcare Information System (HIS) for each of County's Harbor-UCLA Medical Center (HUMC), Olive View-UCLA Medical Center (OVUMC), and Los Angeles County + University of Southern California Medical Center (LAC+USCMC).

2. AGENCY ADDRESS AND CONTACT PERSON:

QuadraMed Affinity Corporation 3 Imperial Promenade, Sulte 400 Santa Ana, CA 92707-5916 Sandra K. Williams, Vice President Telephone: (714) 371-1700

3. TERM:

The amendment will be effective as of the date of approval thereof by County's Board of Supervisors and the agreement will expire on December 31, 2009.

4. FINANCIAL INFORMATION:

The fiscal impact related to this action is \$31,606,684 and is detailed as follows:

FACILITY	FY 06-07 (Jan – June 07)	FY 07-08	FY 08-09	FY 09-10 (July Dec 09)	TOTAL
HUMC	\$2,368,507	\$4,967,364	\$3,825,734	\$2,132,024	\$13,293,629
OVUMC	1,423,900	3,081,100	2,619,000	1,754,202	8,878,202
LAC+USCMC	1,951,789	3,207,519	2,911,994	1,363,551	9,434,853
TOTAL	\$5,744,196	\$11,255,983	\$9,356,728	\$5,249,777	\$31,606,684

The amendment will increase the maximum County obligation to \$104,534,483. Funding for this agreement is included in the FY 2006-07 Final Budget and will be requested by the Department in future fiscal years.

5. FACILITIES TO BE SERVED:

HUMC, OVUMC, and LAC+USCMC

6. DESIGNATED ACCOUNTABLE FOR PROGRAM EVALUATION:

Kathy Shibata, Enterprise Project Director

7. APPROVALS:

Information Resource Management: Patrick Anderson, DHS Chief Information Officer

County Chief Information Officer: Jon W. Fullinwider, Chief Information Officer

Contracts and Grants Division: Cara O'Neill, Chief, Contracts and Grants Division

County Counsel (approval as to form): James Kashian, Principal Deputy County Counsel

72190 Brd Ltr v13 11/28/06

CIO ANALYSIS

AMENDMENT NUMBER SEVEN TO COUNTY AGREEMENT NUMBER 72190 WITH QUADRAMED CORPORATION AND QUADRAMED AFFINITY CORPORATION FOR TURNKEY HEALTHCARE INFORMATION SYSTEMS (HIS) (All Districts) (3 Votes)

CIO RECOMMENDATION:		⊠ APPROVE ☐ DISAPPROVE		APPROVE WITH MODIFICATION							
	Contract Type: New Contract Sole Source Contract			☑ Contract Amendment☐ Hardware Acquisition		\square	Contract Extension Other				
New/Revised Contract Term:			Bas	Base Term: <u>3</u> Yrs			# of Option Yrs				
Contract Components: ☑ Software ☑ Professional Services		\boxtimes	⊠ Hardware		\boxtimes	Telecommunications					
Project Executive Sponsor: Patrick Anderson, Chief Information Officer											
Budget Information :											
Contr	Contract Expenditures		\$ 65,	\$ 65,900,000							
Requested Contract Amount			\$ 31,606,684								
Aggregate Contract Amount			\$104,	\$104,534,483							
Project Background:											
Yes	No				estion						
	Ø	Is this project legislatively mandated?									
	\boxtimes	Is this project subvented? If yes, what percentage is offset?									
	\boxtimes	Is this project/application applicable to (shared use or interfaced) other departments? If yes, name the other department(s) involved.									
Strategic Alignment:											
Yes											
X		Is this project in alignment with the County of Los Angeles Strategic Plan?									
X		Is this project consistent with the currently approved Department Business Automation Plan?									
X		Does the project's technology solution comply with County of Los Angeles IT Directions Document?									
\boxtimes		Does the project technology solution comply with preferred County of Los Angeles IT Standards?									
\boxtimes		This contract and/or project and its milestone deliverables must be entered into the Information Technology Tracking System (ITTS).									

Project/Contract Description:

The Department of Health Services (DHS) is requesting your Board to delegate authority to the Director and Chief Medical Officer of Health Services, or his designee, to sign Amendment Number Seven to Agreement 72190 with QuadraMed Corporation and the QuadraMed Affinity Corporation (QuadraMed) for Harbor-UCLA Medical Center (HUMC), Olive View-UCLA Medical Center (OVUMC) and LAC+USC Medical Center (LAC+USCMC) to:

- Extend the term of the Agreement for a three-year period, ending December 31, 2009;
- Extend ongoing software and hardware maintenance for the full term of the Agreement at a cost of \$14.0 million;
- Acquire four (4) additional software modules within the Quantim suite of for all three (3) facilities, to augment the Quantim modules already acquired under Amendment Number Six, to manage their digitized medical records and automate their health information management functions. The software license fee and related installation and implementation services for the new modules is \$1.3 million in one-time costs;
- Increase the pool of dollars by \$10.9 million for County requested professional services and goods related to the implementation and ongoing operation of the Healthcare Information System (HIS). DHS estimates that \$2.5 million of this amount will be used to acquire professional services to implement the MetroCare Plan. The MetroCare Plan includes the changes related to the continued operation of Martin Luther King, Jr - Harbor Hospital (MLK-HH) under the revised and expanded service delivery model for HUMC and the Department;
- Increase the pool of dollars for communication network goods and services by \$5.4 million.
 The implementation of the MetroCare Plan will require the use of an estimated \$ 0.3 million of this increased amount; and
- Add a new Phase X for HUMC and OVUMC for the Implementation of QuadraMed's Inpatient Pharmacy at the two facilities. The software licenses and implementation services were acquired under Purchase Orders (P.O.) at a cost of \$963,156. Incorporation of these P.O.'s under this agreement extends the system warranty provisions to these separately acquired components.

This Amendment will increase the Maximum Contract Sum by \$31,606,684 for a total of \$104,534,483 and, as referenced above, extends the term of the agreement by three (3) years, through December 31, 2009.

Background:

The County's agreement with QuadraMed (previously Compucare) dates back to 1989 when the first agreement was approved by the Purchasing Agent to provide Hospital Information Systems for HUMC and OVUMC. A separate agreement was approved by the Purchasing Agent in 1992 to provide the LAC+USCMC with the HIS.

In June 1999, your Board approved a successor agreement with QuadraMed that consolidated the HUMC, OVUMC and LAC+USC agreements into the current agreement which has been amended six times.

The QuadraMed HIS provided under this Agreement is their Affinity product. DHS has established the Affinity HIS as their Department's enterprise solution and has implemented its use in all their hospitals and clinics. This Amendment continues the implementation of required modules at HUMC, OVUMC and LAC+USCMC. DHS has acquired the QuadraMed HIS applications under this agreement and a second agreement (Agreement 56649) that provides the QuadraMed software, hardware and services for Rancho Los Amigos National Rehabilitation Center, High Desert Health System and MLK-HH. The scope and complexity of these agreements and the limited number of knowledgeable Information Technology Contract Analysts has contributed to the Department expanding the agreements over multiple amendments. The Department has indicated their intent to amend both agreements to provide access to a comparable suite of modules in all facilities, to ensure a common termination date on both agreements and to acquire professional services to complete the Master Patient Index Clean-up, which is being carried out in all DHS facilities and necessary changes required to support the implementation of the MetroCare Plan.

Through the negotiations of the amendments to the two QuadraMed Agreements, the County attempted to update these agreements with the new County language related to Contract Assignment, a requirement to gain County approval prior to the sale or merger of companies. However, QuadraMed refused to accept the new revised language. This does not pose a significant issue because the current agreement requires them to notify the County and gain County approval prior to the assignment of our Agreement.

Project Justification/Benefits:

DHS continues to deploy QuadraMed as a standard information systems across the hospitals operated and managed by DHS. The LAC+USCMC and the HUMC will begin the implementation of new applications that will provide physicians and other clinicians access to medical records and radiological exams online. The full implementation of the Quantim suite of applications will support the operational assumptions for the LAC+USC Replacement Facility which were designed and constructed anticipating that medical records and clinical tests will be accessed electronically. The successful implementation of these applications are anticipated to materially improve the efficiency of delivering care in these facilities by reducing duplicate ancillary tests because records and test results are unavailable.

In addition, this Amendment increases the Professional Services Pool and the Communication Network Pool and includes funding to support the implementation of the MetroCare Plan.

Project Metrics

The Amendment is structured to pay for completed and accepted deliverables or delivery, testing and acceptance of installed hardware and software. This ensures that the County will receive a useable product before payments are made. The Department and contractor have, over the years, established structured implementation methodologies that have been used successfully across the DHS Medical Centers. The implementation plan allows management to monitor progress through the completion and acceptance of key deliverables against the respective project plans.

DHS has committed to monitor each medical center's project to implement the Quantim modules in the Information Technology Tracking System (ITTS).

Another key metric of project success related to the new Quantim applications is the effectiveness of the training, clinician performance and acceptance.

Impact On Service Delivery Or Department Operations, If Proposal Is Not Approved

If this Amendment is not approved, it will impact DHS's ability to implement operations within the LAC+USC Replacement Facility and achieve the operational efficiencies and cost reductions projected for the new facility based on eliminating the expense of managing hardcopy medical records and images.

The Amendment also provides HUMC, OVUMC and LAC+USCMC with ongoing maintenance for new and existing software modules and hardware that comprise their HIS. Loss of the software and hardware maintenance for the HIS could adversely impact patient care.

Alternatives Considered:

DHS has established the QuadraMed Affinity product as their corporate HIS. This precludes their use of other products, if they are to maintain the system integration with existing modules already in use in their facilities.

Project Risks:

This Amendment modifies an existing Agreement that has been in place since 1999 and a business/contractual relationship for these software products and services since 1989. The County and vendor have years of experience working together and this minimizes contractual and project risks.

DHS requires the contractor, from time to time, to make modifications to data that resides within the HIS's production database, referred to as "Modifications in Live". These Modifications only occur at the County's request and on a very limited basis. Due to potential risks, the contractor has negotiated a limitation in their liability when performing modifications to the production database. If there is a problem that arises out of the contractor's actions to modify the production database, and it was not the result of negligence or a failure to adhere to

accepted professional practices within the industry, the contractor will have no liability for resulting problems. The types of errors in data within the HIS that would require this type of modifications are County data entry errors that affect a limited number of records and occur under relatively rare circumstances.

Risk Mitigation Measures:

The County's risk exposure related to the limitation of liability for Modifications in Live will be mitigated by the process delineated within Amendment Number Seven, requiring the request for such modification to be requested by the Director of the Department. DHS has also committed to rigorously adhere to industry best practices related to data and system backups, testing and validation of any program changes, which will ensure their ability to recover from any programming errors.

Financial Analysis:

This Amendment increases the contract maximum by \$31,606,684. This includes \$1.3 million for application software licenses and installation services, \$14.0 million for maintenance services and \$16.3 million for additional Communication Network and Professional Services Pools for goods and professional services.

DHS has included and estimated \$2.8 million within this Amendment's two categories of pool dollars to support the implementation of the MetroCare Plan. This is in addition to \$2.9 million to support the MetroCare Plan, which is include in Amendment Number Eight to Agreement 56649 also pending Board approval. This brings the total projected expenditures with QuadraMed for the MetroCare Plan to an estimated \$5.7 million, spread between the two agreements.

The Department has confirmed that they have sufficient funds in their current fiscal year's (FY 2006-2007) budget to fund current year expenditures. The Department will request future years funding in their annual budget requests.

ClO Concerns:

None.

CIO Recommendations:

We recommend your Board's approval of Amendment Number Seven to the QuadraMed Agreement Number 72190.

CIO APPROVAL

Date Received: November 27, 2006

Prepared by: Jonathan E. Williams, Jr.

Date: November 30, 2906

Approved:

Date:

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